

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 3169 – SB 3135

March 17, 2010

SUMMARY OF AMENDMENTS (015237, 015526): Amendment 015237 deletes the language of the original bill; establishes an offset procedure for the state to recover various debts owed to the state from individuals or entities entitled to tax refunds of \$200 or more or authorized tax credits; requires the Commissioner of Revenue to provide notification of receipt for timely filed claims for tax refunds \$200 or more to the Department of Finance and Administration (F&A); requires the Commissioner of F&A to notify every state agency, department, board, bureau, commission, or authority when the Department has received notification from the Department of Revenue (DOR) that a taxpayer has made a claim for a tax refund \$200 or greater, for the purpose of determining if the taxpayer owes the state any other debt obligations; authorizes DOR to retain an administrative fee equal to two percent of the amount of any debt to reimburse its cost of collecting the debt on behalf of a claimant; requires the Comptroller of the Treasury to conduct a performance audit on implementation of this act and report, on or before January 15, 2013, any findings and recommendations to the Finance, Ways and Means Committees and the Government Operations Committees of the House and Senate; requires the inmate asset disclosure form be sent to all prison inmates and be periodically resubmitted; requires the Attorney General and Reporter to provide a report to F&A documenting the name of any inmate and any amount a court has ordered to be reimbursed to the state by an inmate. Amendment 015526 changes from the Comptroller of the Treasury to the State Treasurer the authority responsible for submitting to the Department of Finance and Administration (F&A) a list of names of persons who may be the owner of unclaimed property for the purpose of offsetting other debts owed to the state by potential owners of unclaimed property and makes one other technical correction.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Exceeds \$100,000/Recurring
Increase State Expenditures - \$166,000/One-Time
\$280,000/Recurring

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue – Exceeds \$100,000/Recurring
Increase State Expenditures - \$16,000/One-Time
\$280,000/Recurring

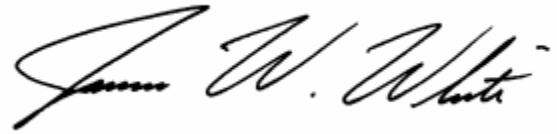
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Assumptions applied to amendments:

- According to F&A, the Department would still need to develop some type of database to house debt information for an unknown number of taxpayers from a total of approximately 26,000 taxpayers who receive tax refunds each year. If five percent of the 26,000 taxpayers owed the state debt obligations, there would be approximately 1,300 taxpayers that would have tax refunds reduced as a result of such debt obligations. Therefore, it is reasonable to assume F&A would require either a new database or a modification to an existing database. However, any such increase to state expenditures for a database are considered not significant because such information could be contained in either a Microsoft Excel spreadsheet or a Microsoft Access database, or similar other applications and the resulting file could be easily updated and shared by the various state agencies.
- According to DOR, there are approximately 26,000 potential accounts that will need to be processed each year to determine if taxpayers owe debts to the state that could be offset against tax refunds or tax credits. Given the volume of accounts that will require processing, the Department will need three additional positions to handle auditing and processing responsibilities. The recurring increase to state expenditures for these three positions is estimated to be \$200,000 per year (\$120,000 salaries, \$60,000 benefits, \$20,000 other). An additional one-time increase to state expenditures for computers and software estimated to be \$12,000.
- Based on information provided by F&A, the Department will require one additional position to administer the offset process. The recurring increase to state expenditures for this position is estimated to be \$80,000 per year (\$50,000 salary, \$20,000 benefits, \$10,000 other). An additional one-time increase to state expenditures for a computer and software estimated to be \$4,000.
- Based on information provided by the Comptroller, any increase to state expenditures for conducting the performance audit would be considered not significant since they periodically perform these audits under current law.
- Any increase of expenditures for the Attorney General to provide information to F&A is considered not significant.
- Based on information provided by DOR, the increase to state revenue as a result of collecting additional various state debts is estimated to exceed \$100,000 per year.
- Amendment 015526 makes two technical changes and will have no fiscal impact on the bill as amended.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

/rnc